

# CHRISTIAN COUNTY WATER DISTRICT

P.O. Box 7  
Hopkinsville, KY 42241-0007  
Phone: 270-886-3696  
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APR 25 2005

## Water Commissioners

Ashbel Brunson  
Chairman

Steve Hunt  
Secretary

J. David Johnson  
Treasurer

Barbara Morris

Ronald Adams  
Public Service Commission of Kentucky  
P O Box 615  
211 Sower Blvd.  
Frankfort, KY. 40601-0615

April 21, 2005

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PUBLIC SERVICE  
COMMISSION

Case 2005-00174

RE: City of Hopkinsville  
Hopkinsville Water Environment Authority  
Wholesale Water Rate Increase to Christian County Water District

Christian County Water Districts  
Opposition to Wholesale Rate Increase  
Filing of Objection

Ashbel Brunson, the Chairman of the Christian County Water District's Board of Commissioners, received the enclosed tariff sheet on or about April 25, 2005. As proposed, it includes a massive wholesale rate increase for the ratepayers of the Christian County Water District (CCWD). Christian County Water District, on behalf of its ratepayers is opposed to this rate increase. The Water District feels that these rates do not approximate the cost of producing and delivering water to the Water District's withdrawal points. The management, staff, and the general membership of the Board of Commissioners had no prior notice of the City of Hopkinsville's intentions to file such an excessive rate increase. The ratepayers of the Christian County Water District have a right to fair, reasonable, cost based rates. Christian County Water District has the right to be better informed; and the City of Hopkinsville/HWEA has the obligation and responsibility to provide Christian County Water District with a full disclosure of information and data used to calculate such a massive rate increase.

Christian County Water District had negotiated a contract in good faith with the Hopkinsville Water Environmental Authority (HWEA); and the Public Service Commission had approved a January 2004 wholesale rate increase. Those contract amounts as supplied by HWEA, and filed with the PSC, and the KY. Division of Water stated that HWEA had ample water treatment capacity, water storage capacity (both raw and potable), and a distribution system capable of supplying CCWD two million gallons of water daily, or 49 million gallons of water per month, as a viable supplier until the year 2046. It is highly unlikely that HWEA's treatment, distribution, or storage costs

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have changed that drastically over the past fourteen months in order to warrant such a massive increase.

As a point of Public record, concerning recent newspaper articles appearing in the KY New Era newspaper addressing the desires of the city of Hopkinsville and HWEA to subsidize local developers. The cost of this initiative referred to as the "Raz initiative" was to be funded by a utility rate increase. This initiative's total annual cost will approximately equal to what the proposed increase to CCWD's ratepayers would be. We, as county residents, do applaud the City of Hopkinsville and HWEA for their efforts to promote development. However, we are opposed to any unfair and self serving added costs to CCWD's ratepayers, or any developmental cost which are not based entirely on the need of the current and existing rate payers.

Respectfully Submitted,

  
James Owen  
General Manager

April 21, 2005

## Attachment

RE: TFS2005-00487  
City of Hopkinsville  
Wholesale Water Rate Increase to Christian County Water District

Opposition to Wholesale Rate Increase as proposed

Christian County Water District is opposed to the proposed wholesale rate increase. The City of Hopkinsville, through its city utility the Hopkinsville Water Environment Authority (HWEA), has proposed and filed a wholesale water rate increase to the Christian County Water District's (CCWD) ratepayers. CCWD files its opposition on the following grounds:

- (1.) The management, staff, and the general membership of the Board of Commissioners of CCWD had no prior knowledge of this tariff filing.
- (2) HWEA has not made available to the management of CCWD a cost justification, or provided any rational explanation as to why such an increase is warranted.
- (3) The wholesale rate, as described in tier four of the "Settlement Agreement" is exclusive of the 1.3 multiplier.
- (4) The 1.3 multiple, as described for tiers one, two and three, is not a cost-based charge. Rather, it is a surcharge or forward payment for the total accruable cost of withdrawal per metering point, as a calculation and mechanism of collection to offset all costs associated with source supply, power and pumping, storage, distribution, administration, depreciation and bond parity.

(4. A.) Tier levels one, two, and three being treated as any other city customer at that applicable rate. CCWD's water withdrawal points (master meters), being billed as one withdrawal point being equivalent to one city customer, paying their proportional share per meter/withdrawal point up to the tier limit for the cost of source of supply, metering, distributing, storing, treating, collecting, billing, administration, maintenance and depreciation/bond parity. If CCWD being 11 withdrawal points out of 16,000 withdrawal points that HWEA now has, then CCWD would be charged 11/16,000 of the proportional cost of delivery by HWEA for the product it withdraws. As calculated by the "Settlement Agreement" .

(5.) Tier four, the wholesale rate, is based as follows (As submitted by HWEA to the PSC): “An additional rate block for the County currently exists, which is not tied to the City rates.” HWEA’s representative, J. Rowe McKinley, Director of Black & Veatch Corporation entering this statement in support of an exclusive wholesale rate. This block, or wholesale rate, is exclusive to CCWD, HWEA’s only wholesale customer. This rate having been bartered, sold, or conveyed at a rate of one dollar and nineteen cents (\$1.19) per cubic foot.

As it is generally recognized, a city if it wishes may give its water or any other city service away if they so choose. In this case, the City of Hopkinsville/HWEA chooses to charge or collect a limited point of service surcharge up front, thereby discounting its over-production as a mechanism of promoting a steady revenue flow. Manufacturers sometimes refer to this as “dumping”. Dumping is herein referred to as a willingness to discount over-production once production costs are met, to increase revenue, market shares, and profitability.

HWEA and the City of Hopkinsville having aggressively charged and collected a 30% surcharge to offset any cost associated with production, whether applicable or not. As a tradeoff for this collection of this limited fixed surcharge, HWEA has contractually obligated itself to provide a guaranteed level of production at a fixed future cost of \$ 1.19 cents per cubic foot.

FOR Hopkinsville, KY  
Community, Town or City

P.S.C. KY. NO. \_\_\_\_\_

**Original** SHEET NO. 1

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

**Hopkinsville Water Environment Authority**  
(Name of Utility)

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CONTENTS

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Wholesale Water Rate for Christian County Water District

	Rate per 100 cubic feet	Equivalent Rate per 1,000 Gallons
First 3,000 cubic feet	2.72	3.64
Next 3,000 cubic feet	2.38	2.70
Next 3,000 cubic feet	1.72	2.30
All Over 9,000 cubic feet	1.93	2.58

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DATE OF ISSUE 4/15/2005  
Month / Date / Year

DATE EFFECTIVE 7/1/2005  
Month / Date / Year

ISSUED BY *Del Carter*  
(Signature of Officer)

TITLE **Chairman** *Del Carter*

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

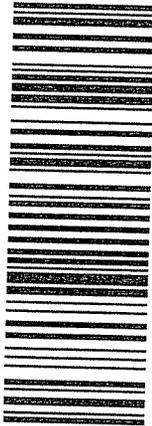
IN CASE NO. N/A DATED N/A

**CHRISTIAN COUNTY WATER DISTRICT**

P.O. BOX 7  
HOPKINSVILLE, KENTUCKY 42241-0007

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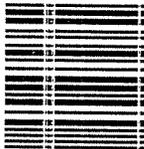
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